

REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION

May 23, 2006

FROM: **ROGER WEAVER**, Director
 Fleet Management Department

SUBJECT: FLEET MANAGEMENT DEPARTMENT 2006-07 RATE ADJUSTMENTS

RECOMMENDATION: Approve adjustments to the Fleet Management Department rates effective July 1, 2006.

BACKGROUND INFORMATION: The 2006-07 proposed Fleet Management rate adjustments were developed based on the expected demand for services, projected expenses, and a five-year plan for stabilizing rates as well as working capital and other designated reserves. Where applicable, the proposed rates are increased due mainly to uncontrollable costs such as rising fuel prices, negotiated salary and benefit increases, and general inflationary increases. The proposed rates are included on Attachments A (Garage rates), B (Motor Pool rates), and C (heavy equipment rates).

HOURLY SHOP RATES

The proposed light duty shop rate will increase from \$62 to \$67 per hour. The heavy duty shop rate will increase from \$76 to \$85 per hour. The \$25 processing fee for sublets will remain unchanged. These rate adjustments are necessary to cover increasing salary and benefit costs as well as maintaining appropriate working capital reserves in the Garage fund.

TIRE AND HAZARDOUS WASTE DISPOSAL FEES

These are new fees, which are a pass through based on actual disposal costs. In prior years, these fees were included in the hourly shop rates. Implementation of these fees will eliminate the subsidizing of these costs and ensure the affected customers are paying the disposal fees. Tire disposal fees range from \$2 per tire for small tires to \$27 per tire for large tires like those used on earthmoving equipment. The hazardous waste (i.e. motor oil) disposal fee is \$5 per work order, when applicable.

FUEL MARKUP

The proposed markup for gasoline and diesel fuel increases from 25¢ to 33¢ per gallon. The increase is due mainly to the completion of mandated capital improvement projects required by regional water quality control boards and other regulatory agencies.

Page 1 of 3

	Record of Action of the Board of Supervisors
--	--

BOARD OF SUPERVISORS
FLEET MANAGEMENT DEPARTMENT 2006-07 RATE ADJUSTMENTS
May 23, 2006
Page 2 of 6

The proposed mark-up for compressed natural gas (CNG) increases from 77¢ to \$1.00 per gallon equivalent. Due to the age of the department's CNG station, the maintenance and repair costs of operating this facility continue to increase. The City of San Bernardino is building a new CNG station approximately one-half mile for the existing County site. When this City station is operational, which is estimated to be in late 2006, Fleet Management plans to decommission its CNG station.

CAR WASH

The rate of \$5 per car wash will remain unchanged for both the Lena Road and the Rancho Cucamonga car wash sites. The rate includes all projected operating and replacement costs.

VEHICLE RECORDS MAINTENANCE

The department provides vehicle registration and record keeping services for all vehicles owned and operated by the County. There are approximately 5,000 vehicles for which customers are charged one time per year. The proposed annual rate increases from \$10 to \$12 per vehicle. This is the first rate adjustment since it was implemented three years ago and is necessary due to increased salary and benefits costs.

PARTS

Although the proposed mark-up on parts of up to \$1,000 per order will increase to 32%, the proposed rate is still below the 2002-03 rate of 35% and the 2003-04 rate of 39%. The mark-up fee for parts of \$1,000 or more will be capped at \$320.

MOTOR POOL

The 2006-07 proposed rates are based on Fleet Management's review of its customer's new and ongoing needs for motor pool vehicles and an estimate of the miles to be driven.

Fixed costs

The proposed increase for motor pool vehicles is \$40 per vehicle per month for all vehicle classifications. This increase is necessary because replacement rates were held artificially low in the previous four years to decrease excess designated vehicle replacement reserves. This reserve has now been fully reduced to its target level and the fixed monthly rates need to be increased to maintain the appropriate vehicle replacement reserve.

Variable costs

The proposed increase for motor pool vehicles is 6¢ per mile for all vehicle classifications. This increase is necessary due to rising fuel prices and increased maintenance costs.

Golf carts

The proposed monthly rate for golf carts is \$110. Previously, the rates varied from \$81 to \$133 per month depending on the type of golf cart used. Golf cart rates were developed in 2004-05 based on purchase price, a 36-month replacement cycle, and an estimated 2% maintenance factor. Fleet Management now has sufficient actual data to more accurately reflect the true operating costs and replacement points. The proposed rates combines all golf carts into a single rate category and extends their replacement cycle to five years.

HEAVY EQUIPMENT

The proposed rates for capital-based vehicles costing more than \$100,000 remain unchanged.

BOARD OF SUPERVISORS
FLEET MANAGEMENT DEPARTMENT 2006-07 RATE ADJUSTMENTS
May 23, 2006
Page 3 of 6

REVIEW AND APPROVAL BY OTHERS: This item was reviewed by the Auditor/Controller-Recorder (Howard Ochi, Chief Deputy Auditor, 387-8821) on March 16, 2006 and the County Administrative Office (Daniel R. Kopp, Administrative Analyst, 387-3828) on May 16, 2006.

FINANCIAL IMPACT: The 2006-07 proposed Fleet Management rate adjustments were developed based on the expected demand for services, projected expenses, and a five-year plan for stabilizing rates as well as working capital and other designated reserves. Where applicable, the proposed rates are increased due mainly to uncontrollable costs such as rising fuel prices, negotiated MOU increases, and general inflationary increases.

In accordance with OMB Circular A-87: Cost Principles for State, Local, and Indian Tribal Governments, internal service funds are allowed to maintain 60 days worth of operating expenses. The proposed rates are recommended to ensure Fleet Management maintains adequate working capital and appropriate designated reserve balances.

In 2006-07, the total cost of the proposed Fleet Management rate adjustments is estimated at \$2.26 million. Of that, \$848,200 is local cost. As part of the 2006-07 final budget, the County Administrative Office will recommend the use of general fund contingencies in the amount of \$848,200 to fund the portion of these rate adjustments attributable to local cost.

SUPERVISORIAL DISTRICTS: All

PRESENTER: Roger Weaver, Director of Fleet Management, 387-7870

Fleet Management Department
2006-07 PROPOSED RATES--Garage

		<u>2006-07 Proposed</u>	<u>2005-06 Approved</u>	<u>Change</u>
<u>Shop Rates</u>				
Light duty	per hour	\$67	\$62	\$5
Heavy duty	per hour	\$85	\$76	\$9
Tire disposal fees				
< 16.5"	per tire	\$2	n/a	
17" - 24.5"	per tire	\$9	n/a	
> 24.5"	per tire	\$27	n/a	
Hazardous material fee	per work order (when applicable)	\$5	n/a	
<u>Fuel and Lock-up Rates</u>				
Gasoline and diesel	per gallon	\$0.33	\$0.25	\$0.08
Compressed natural gas (CNG)	per gallon	\$1.00	\$0.77	\$0.23
Lock-up, security, and related duties	per hour	\$29	\$27	\$2
Wet hose services	per hour	\$31	\$27	\$4
Fuel tank management	per hour	\$85	\$62	\$23
<u>Car Wash</u>	per wash	\$5	\$5	\$0
<u>Vehicle Records Maintenance</u>	per vehicle	\$12	\$10	\$2
<u>Parts</u>				
Markup	< \$1,000	32%	25%	7%
	>= \$1,000	\$320	n/a	

Fleet Management Department
2006-07 PROPOSED RATES--Motor Pool

		2006-07 Proposed	2005-06 Approved	Change
<u>Compact sedan</u>				
Fixed cost	per month	\$268	\$228	\$40
Variable cost	per mile	\$0.31	\$0.25	\$0.06
Daily rental	per day	\$17	\$14	\$3
<u>Mid-size sedan</u>				
Fixed cost	per month	\$327	\$287	\$40
Variable cost	per mile	\$0.27	\$0.21	\$0.06
Daily rental	per day	\$21	\$18	\$3
<u>Full-size sedan</u>				
Fixed cost	per month	\$350	\$310	\$40
Variable cost	per mile	\$0.34	\$0.28	\$0.06
Daily rental	per day	\$22	\$19	\$3
<u>Other (general purpose vehicles)</u>				
Fixed cost	per month	\$401	\$361	\$40
Variable cost	per mile	\$0.68	\$0.62	\$0.06
Daily rental	per day	\$26	\$23	\$3
<u>Cost \$50,001 to \$100,000</u>				
Fixed cost	per month	\$932	\$892	\$40
Variable cost	per hour	\$1.49	\$7.52	-\$6.03
<u>Vanpool vehicles--minivans</u>				
Fixed cost	per month	\$494	\$454	\$40
Variable cost	per mile	\$0.19	\$0.13	\$0.06
<u>Vanpool vehicles--12-passenger vans</u>				
Fixed cost	per month	\$489	\$449	\$40
Variable cost	per mile	\$0.21	\$0.15	\$0.06
<u>Golf carts (all types are now combined)</u>				
Fixed cost	per month	\$110	\$87 to \$133	

Fleet Management Department
2006-07 PROPOSED RATES--Heavy equipment

		<u>2006-07 Proposed</u>	<u>2005-06 Approved</u>	<u>Change</u>
<u>Cost \$100,001 to \$150,000</u>				
Fixed cost	per month	\$1,115	\$1,115	\$0
Variable cost	per hour	\$8.67	\$8.67	\$0.00
<u>Cost \$150,001 to \$200,000</u>				
Fixed cost	per month	\$1,189	\$1,189	\$0
Variable cost	per hour	\$10.06	\$10.06	\$0.00
<u>Cost \$200,001 and greater</u>				
Fixed cost	per month	\$1,560	\$1,560	\$0
Variable cost	per hour	\$11.72	\$11.72	\$0.00